

1976 Revision

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**Estimated Soviet Defense Spending in Rubles, 1970-1975****Key Judgments**

NOTE: This report—the latest in a series of publications on Soviet ruble outlays for defense programs—presents a major revision of past estimates. Our new estimates incorporate an unusually large body of new information, much of which is still being evaluated. Moreover, we have recently increased our analytical effort in this area significantly. For these reasons, the new estimates should be viewed as interim and subject to change as the work progresses.

Analysis of new evidence has resulted in a major upward revision in the estimate of the level and trend of Soviet ruble outlays for defense. The new estimate is about twice the previous estimate of total ruble spending for defense in 1975.

- We now estimate that Soviet spending for defense—as defined in US budgetary accounts—grew from about 40-45 billion rubles in 1970 to about 50-55 billion rubles in 1975, measured in *constant 1970 prices*.
- Under a broader definition—as the Soviets might account for their defense effort—we estimate defense spending at about 45-50 billion rubles for 1970 and about 55-60 billion rubles for 1975.
- Defense spending in rubles is now estimated to have increased at an average annual rate of 4-5 percent over the period rather than 3 percent as previously believed. During 1973-1975 it grew about 5-6 percent per year, reflecting largely the deployment phase of the new generation of strategic missile programs.

The new information underlying these estimates has come from a variety of sources:

- Price information on Soviet military hardware has been acquired which shows clearly that earlier estimates of the ruble costs of Soviet weapon systems were far too low. The change in our understanding of ruble prices and costs accounts for about 90 percent of the increase.
- Changes in national intelligence estimates of the size of Soviet forces, and the addition of costs of some activities which previously were not included explicitly in our estimates—for example, preinduction military training and outlays for utilities—account for the remaining 10 percent of the increase.
- Moreover, evidence was obtained from a source who reported persuasively that he had one-time access to a classified Soviet document containing data on defense spending. Although the scope of activities

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covered in the document is not entirely clear, this evidence is consistent with our present higher estimate of ruble spending.*

The revised estimate of the ruble costs of Soviet defense has had a major effect on some important intelligence judgments, but not on others. Specifically, because the changes are largely the result of estimates of higher *ruble prices* rather than discovery of larger programs, the revised estimate:

- Does not affect our appraisal of the size or capabilities of Soviet military forces. Such estimates are based mainly on direct evidence.
- Does not have an important effect on our estimates of the dollar cost of reproducing Soviet defense programs in the US. We estimate the cost of reproducing 1975 Soviet defense programs in the US at about 114 billion dollars (1974 prices), some 40 percent higher than comparable US authorizations in 1975.**

The new estimates do alter significantly our perceptions about the economic implications of Soviet defense programs:

- Since 1970, defense requirements have been absorbing some 11-13 percent of Soviet gross national product (GNP), depending on the definition of defense that is employed. Previously, we had estimated that defense took some 6-8 percent of GNP.
- The Soviet defense industries are far less efficient than formerly believed.
- The defense effort now takes about one-third of the annual output of the machinery sector of the Soviet economy.

Because the resource impact of the defense effort on the Soviet economy has been considerably greater than we previously recognized we now realize that Soviet leaders have been more willing than we thought to forgo economic growth and consumer satisfaction in favor of military capabilities. Nevertheless, we see no evidence that economic considerations are deterring the Soviets from continuing the present pace and magnitude of their defense effort. Indeed, intelligence has already provided indications that a number of costly new programs are under way. Much work remains to be done, however, in assessing the implications of our new estimates for future Soviet policy decisions.

* A study which details this source's reporting and provides a comprehensive analysis of his information is nearly complete. Because of the study's classification and technical nature, it will not be widely disseminated. Copies will, however, be made available on request to individuals with the appropriate clearances.

**An unclassified summary statement of our most recent dollar cost estimates appears in SR 76-10053, *A Dollar Comparison of Soviet and US Defense Activities, 1965-1975*, February 1976. A detailed dollar cost analysis will be presented in a forthcoming classified report.